



Country Profile for Spain

Identification of Existing State of Business Incubation

SUPER – Start-Up Promotion for Entrepreneurial Resilience
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General Country Situation in terms of business incubation

In Spain, business incubation can be seen to be something of a 'late development' when compared to other European countries. Spain has seen a significant rise in business incubators or **accelerators**, as they are often called, and it is carving out a reputation in this field.

In Spain business incubators are considered a program of preparation and development of a business idea in order to create a proper business plan and launch the company's future, whereas incubator are designed to actually start a company business activity.

Interviews carried out with local business managers have highlighted that key components of the mission of Spanish incubators can be seen to be to:

- boost networking and cooperation,
- provide technical and management support to companies,
- identifying and providing specialized consultancies;
- accelerate business consolidation, limiting initial costs;
- strengthen entrepreneurial skills,
- provide an appropriate atmosphere for future growth;
- develop associative actions;
- optimize and reduce costs for enterprises;
- seek new supports or strategic partners;
- increase business survival,
- foster employment and employability;
- Increase interaction between business and academia.

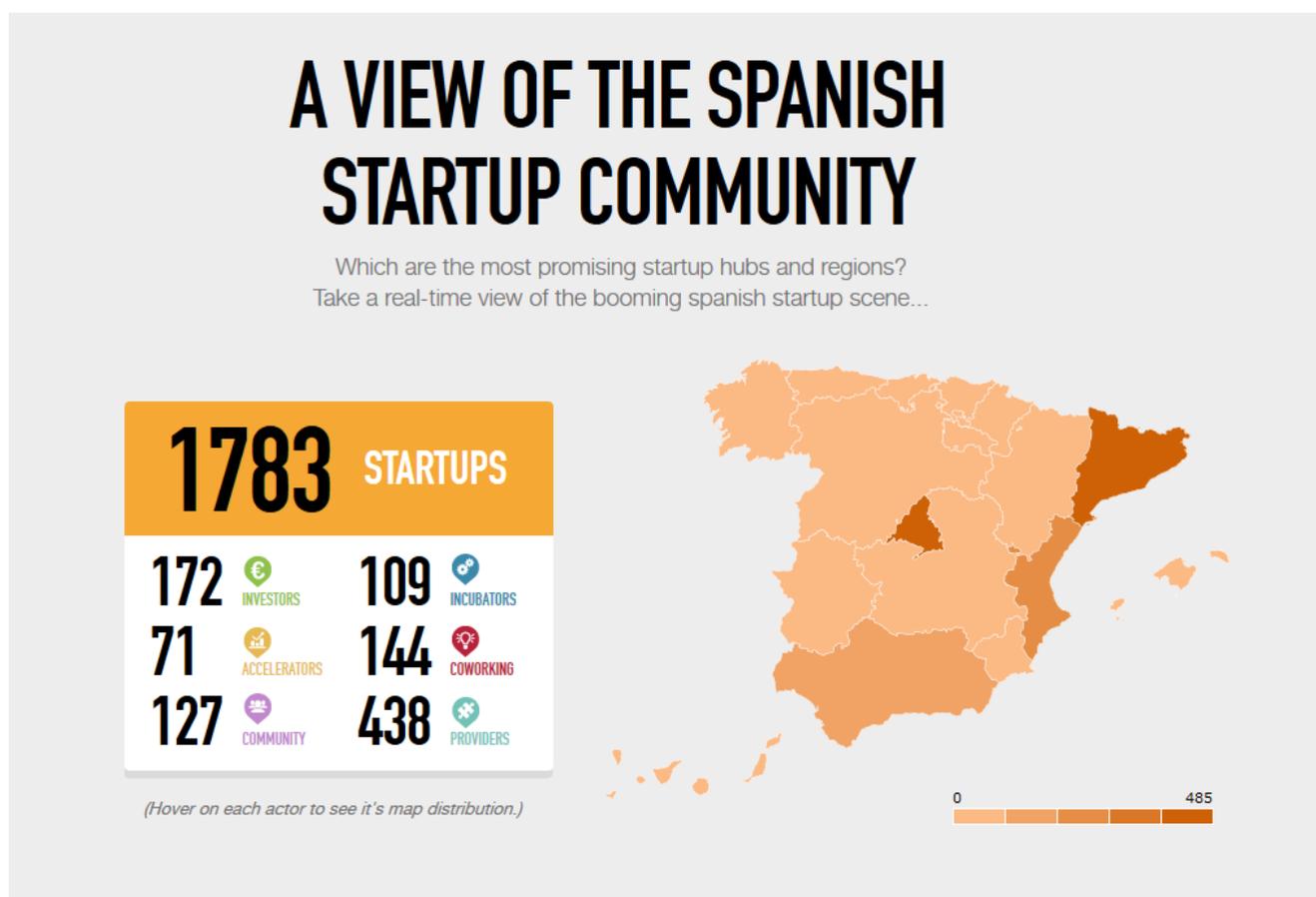
Until relatively recently, stability and steady jobs were the main goals of every student and worker in a rather conservative approach. Entrepreneurial culture itself emerged in Spain in the early twenty-first century as a result of globalization and the effects of the economic downturn. Government and private companies started to drive innovative spirit as a new model for job creation to promote citizen's initiative, increase, strengthen and diversify business ecosystem, promote the generation and renewal of business.



Within these policies, creation and development of new ventures have become a major piece of European policy for employment and SMEs.

Business incubators are located in many geographical areas throughout the Spanish territory, with very specific concentrations in certain areas in order to exploit synergies and achieve a strategic position in certain sectors. Networking and communication with stakeholders are considered the main asset in their activity.

The following map shows graphically the geographic areas with the highest concentration of business incubators, intended to respond to the increase in new business plans presented:



An incubator for every 16 start-ups or an accelerator per 25, are some of the proportions that exist today in the ecosystem of Spain, according to the infographic prepared by the promoters of StartUp Map Spain, Javier Megías and Nacho Ormeño (see: <https://startupxplore.com/infographic/>), a document, updated in real time, which reveals that in Spain the incubation infrastructure is abundant with respect to existing business companies.

Key data that can be drawn from the interactive map (at time of writing) includes:

- 1783 technology-based start-ups. Catalonia is the national leader, with 485 companies, followed by Madrid, with 456. Between the two, they account for more than half of all registered start-ups. Keep in mind that the graphics does not include data reflecting the activity, size or profits received from each.
- 172 investors, including business angels and funds that invest in start-ups – this represents an investor per every ten companies.
- Among accelerators and incubators there are 180 entities that help companies in the early stages.

This data suggests that in recent years, a somewhat inflated ecosystem has been created, not accompanied by a proportionate growth in number of start-ups, that are, ultimately, its *raison d'être*. This situation could ultimately lead to counter-productive fragmentation and atomization of Spanish panorama, where the old dichotomy reigns: "Quantity rather than quality."

Typologies of incubation programmes in Spain

Similarly to other European nations, in Spain there are different types of incubators depending on the degree of technological development and the support they receive from different promoters.

Public	Private	Private/Public
Belonging to Public Administrations and Intermediaries receiving funds directly from Governments to manage incubators.	Private business incubators promoted by large companies in order to obtain profits or boost innovation through start-ups.	Created through collaboration agreements between big firms and public administrations (Universities, Municipalities, etc.)

Moreover, in detail:

Criteria	Typology of business incubators
Promoters	- Public



	<ul style="list-style-type: none"> - Private - Both
Geographic position	<ul style="list-style-type: none"> - Urban - Rural
Sector	<ul style="list-style-type: none"> - Traditional - Technological - Mixed
Business structure	<ul style="list-style-type: none"> - Profit - NO Profit
Incubation services provided	<ul style="list-style-type: none"> - Scientific parks - Technological Centres - Business Centres - BICs

In the Spanish context a further distinction can be made between accelerators and incubators of start-ups. Whilst accelerators transform midsize businesses with high potential into large firms, business incubators focus on start-ups.

The incubator has three phases:

- Pre-incubation: tuning the business plan into an entrepreneurial project.
- Incubation: the project is carried out and the real impact is monitored.
- Post-incubation: areas of opportunities are strengthened.

On the other end start-ups attending an accelerator, typically, demand a shared space where they can work under intense mentoring in all relevant aspects for a rapid growth.

The start-up ecosystem

The Spanish start-up ecosystem is quite fragmented and it has changed dramatically in the past 5 years, being now more professional, global and ambitious than ever before. However, the key question to ask is whether that is because 5 years ago the ecosystem was severely underdeveloped or because the current gap with the UK, Germany, Israel or France has been reduced by an increase in the quality -and quantity- of start-ups, investors and accelerators (Novoa, 2014).



Spain has seen three different waves of tech and Internet entrepreneurs. Those that built companies prior to 2000, before the dotcom bubble burst in 2001; those that survived the crash and had the guts to start companies in the early 2000s and then those that saw an opportunity with the 2007/2008 economic crisis and found in entrepreneurship as a way out/ way forward.

Spain was, and still is, one of the European countries that has suffered the most from the financial crisis of 2007. Unemployment rates have not been lower than 20% for several years, half of the young population (18 to 25 are unemployed and many have left the country to join companies -big and small- in the US, UK or Germany. The chronic problems Spanish start-ups have faced over the past few years are twofold: lack of global ambition and, at times, lack of capital at the early and growth stage. In addition, the growing number of accelerators, business angels and Venture Capital firms investing at the early stage show that money, for most, is no longer an issue. According to data from research firm Venture Watch, Spanish start-ups raised €158 million in the third quarter of 2014, a 187% increase compared to 2013, mostly thanks to Scytl's €80 million round.

Entrepreneurs and investors have often complained that creating companies in Spain is not easy, and tax incentives are part of a political rhetoric found in press releases and public appearances. The current government of Mariano Rajoy promised two years ago a law that would help entrepreneurs and investors create companies faster and cheaper while facing lower public challenges. However, the so-called 'Ley de Emprendedores' has ended up being considered as an ineffectual policy.

All of the above paint a gloomy picture of Spain and its start-up ecosystem. However, the opportunities in the country are big for both entrepreneurs and investors.

Spanish start-ups are flourishing as entrepreneurs become increasingly aware that **new technologies** and innovation are the cornerstone of future economic growth. Nevertheless, raising cash to invest in a business is not easy amid the stranglehold on credit. The high cost of setting up an enterprise in Spain, coupled with the bureaucracy involved, is also a hindrance.

Evaluating incubation programmes

Many authors have investigated the relationship between entrepreneurship, incubation and economic development and its related socio economic implications. For example, a recent study of the Rey Juan



Carlos University on the effect of business incubators on employment shows that business incubators are a very efficient tool to create employment.

Within Spain, business incubators are considered key to the development of a true entrepreneurial ecosystem, yet innovation-based companies have great difficulties in getting started. It is difficult to find funding opportunities for something that does not yet exist, or it is impossible to know whether it will really work in the market. In this sense, business incubators play a very important role, serving as a link between uncertainty and innovation, providing these companies with the first impetus to overcome the fear of the unknown. Their function is to reduce costs, solve administrative issues and provide training in order to boost entrepreneurship and make it more accessible to the public.

Another point to consider is that business creation is directly linked to productivity. As mentioned by Carree and Thurik (2003), the key is that entrepreneurs have the tendency to work longer and more efficiently since their revenues are directly related to their work. Business incubators provide the best means for the proper business management of these start-ups, which have an impact on productivity. It is important to ensure that in the start-ups first years of life, management is efficient and effective, as this will serve as a basis for future development.

Incubators are also having an impact on social cohesion. The growth of the Spanish population in recent years is due mainly to the increase in the immigrant population. Spain has gradually become a melting pot of cultures, a conglomeration of ideas interspersed with features that are more traditional. This has a very positive evaluation from a business point of view; it has brought a considerable increase in the creation of SMEs by the immigrant population, participating the GDP of our country. Entrepreneurship works with this feeling. It serves as a vehicle for the integration of the foreign population.

Business incubators are involved in the growth and survival of enterprises, the establishment of synergies, increased competition, innovation and productivity improvement. Therefore, socially they perform a very important role, and thanks to them, the image of the entrepreneur in Spain has changed: it is no longer a risky adventure traveling alone on business, but is the driving force behind the economy.



Critical success factors in incubation in Spain

Research undertaken has demonstrated that best practices for Spanish incubators can be seen to be:

1. Clearly define the goals of the incubator from the beginning
2. Incubator managers should be familiar with the entrepreneurial phenomenon and have extensive experience.
3. Specialize in new technologies related clusters.
4. Select companies to incubate according to the characteristics of the incubator.
5. Services of the incubator should be adapted to the needs of the incubated companies.
6. Develop a network environment, both locally and internationally.
7. Diversify funding sources.
8. Share experiences through a network of incubators.
9. Improve mechanisms of assessment.

Success factors of an incubator are closely related to the following five factors:

1. Promoters
2. Location
3. Strategy
4. Customers
5. Financing

Promoters:

It is very important to have a good collaboration among promoters and its relationship with other sponsoring institutions. From the legal status point of view, the relationships among all involved partners in the incubator management shall be determined clearly and in advance. Moreover, it is very important to have a high degree of involvement from public, private and academic sectors.

Location:

Location is a factor that reflects the objective of the incubator. Incubators can be inside universities, within scientific parks, metropolitan areas or research campus. These location areas should allow the growth of their capabilities in order to host their "clients".



Strategy:

The strategic elements of the incubator are very important to determine scope and impact over time. These are reflected through the mission, vision and strategic objectives of the incubator. They are usually embedded within certain public policy in terms of innovation of a given country or state.

Customers.

Customers are entrepreneurs with potential to generate business. The incubator should define their target customers based on:

- sectoral or cross-sectoral orientation
- enterprise development
- financing needs of customers.

Financing:

It is very important to determine the funding needs incubators' implementation and management. Funds are needed for financing incubated companies, staff and services required for general operation. Own funds or other funding means are usually employed. Financing sources can be public, private, cooperative and own resources generated from rents and services provided.

From interviews the most interesting operating factors that have emerged are:

- **Success factors:**
 - o Strong collaboration with big firms, academia and incubators is fundamental to give answers to market needs
 - o Strong collaboration with public institutions
 - o Huge availability of training opportunities
 - o Interesting availability of funds for operating incubators
- **Difficulty factors:**
 - o Lack of information for entrepreneurs
 - o Lack of further support after 3 years of activity, Entrepreneurs are left alone.
 - o Reduced investment/business angels opportunities for start-ups.
 - o Establish a time period of four to six months, as this is too short for development



- Not carry out a progress follow-up of the company, setting out an action plan calendar with the technical expert, the companies and institutions, as well as not giving the necessary training
- Set a time schedule on how long the business can stay in the business incubator

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